

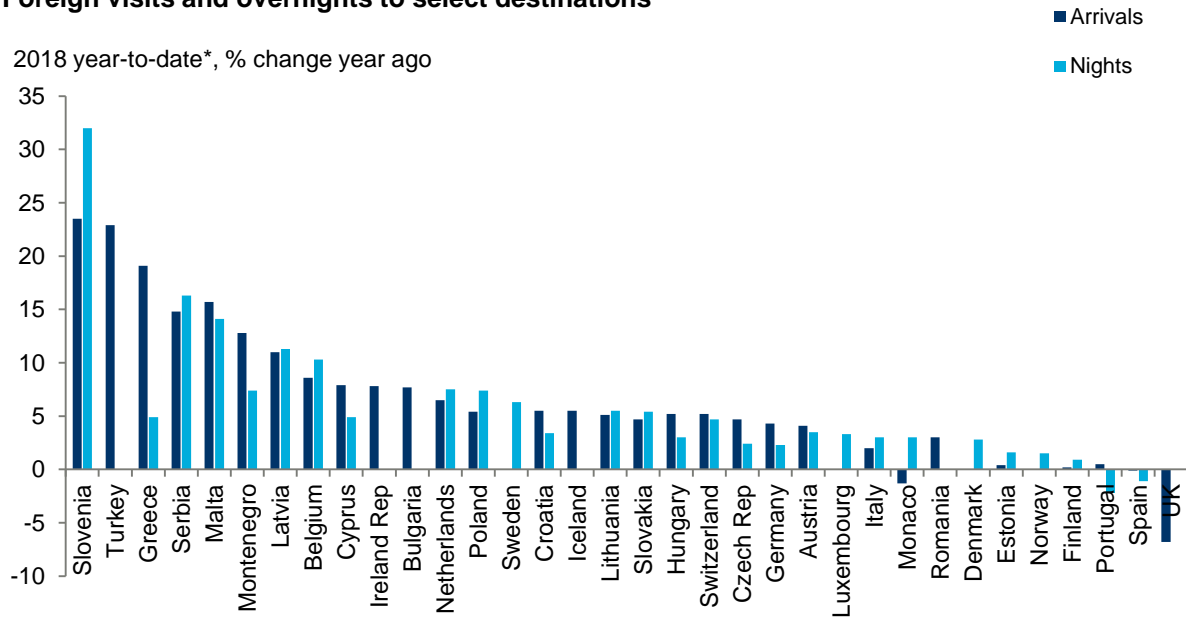
**EUROPEAN  
TRAVEL  
COMMISSION**

**European Tourism – Trends & Prospects**  
*Quarterly Report 3/2018 - Executive Summary*

# European tourism growth in 2018

- European tourism enjoyed a sustained expansion amid less relaxed global financial conditions and risks of a disruptive trade war posing a threat to global economic growth.
- Destinations in Europe saw a +7% increase in international tourist arrivals in the first six months of the year compared to the same period in 2017.
- Growth was synchronised with the positive economic conditions in Europe which boosted intra-regional demand and was supported by improved air connectivity, notably from China.

Foreign visits and overnights to select destinations



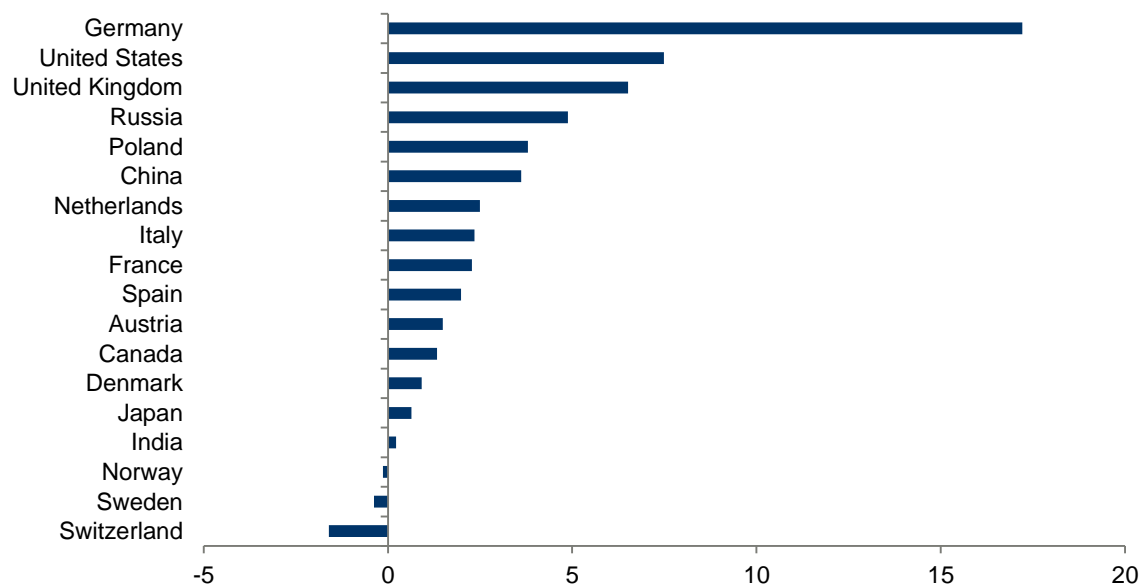
Source: TourMIS \*date varies (Jan-Sep) by destination

# Emerging markets still only a small part of the growth story

- Despite largely modest rates of arrivals growth from Germany, its contribution to European demand remains the largest given the sheer volume of outbound travel it generates.
- The United States will make a significant contribution to European arrivals growth, ahead of some large intra-European source markets as well as China.
- Although some significant arrivals growth has been reported from India in percentage terms, growth comes from a low base and currently the benefit from Japan and Canada is larger despite the eye-catching rapid growth from India.

## Expected contribution to arrivals growth in Europe\* by source market

% contribution 2017-18, based on latest available year-to-date % growth

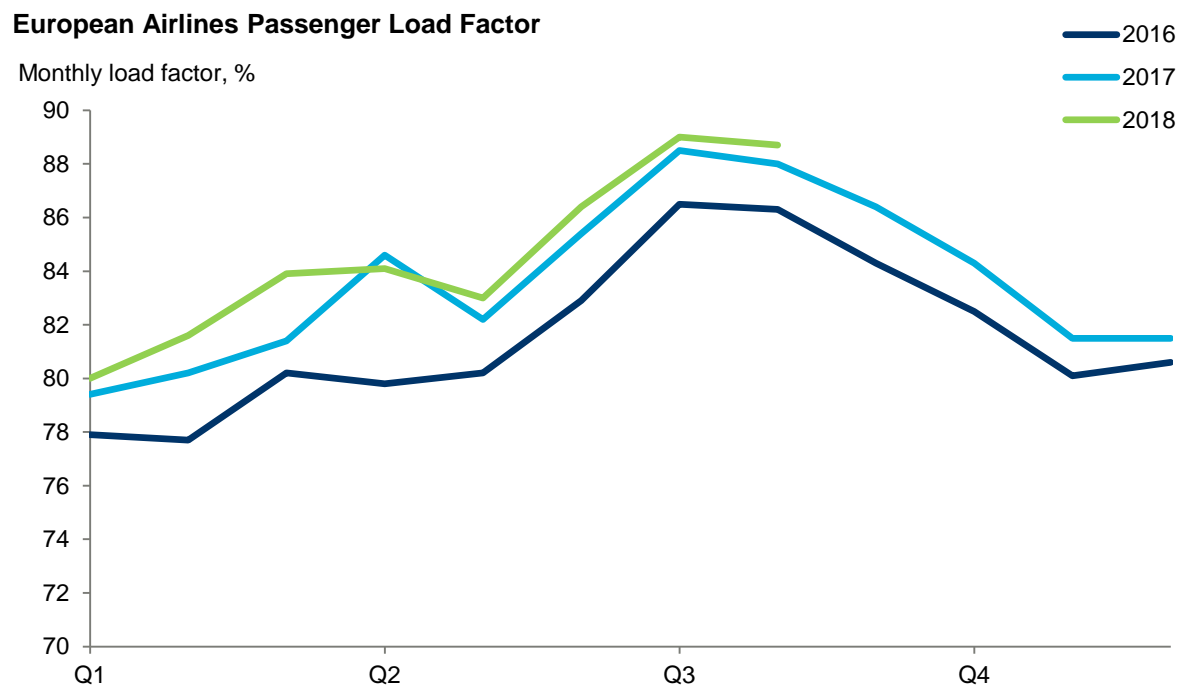


Source: TourMIS, Tourism Economics

\*Europe is reporting TourMIS destinations only

# Passenger load factors at all-time highs

- 2018 is likely to be another year of above trend growth, but potential risks have been mounting over the summer. The 6.8% increase broadly aligns with average growth over the past five years.
- Fuel costs are currently around 30% to 40% higher than they were a year ago and these are likely to seep into air fares, while labour cost pressures also tend to be rising.
- Passenger load factors are currently at an all-time high which may stave off the need for airlines to pass on higher input costs in the near-term.



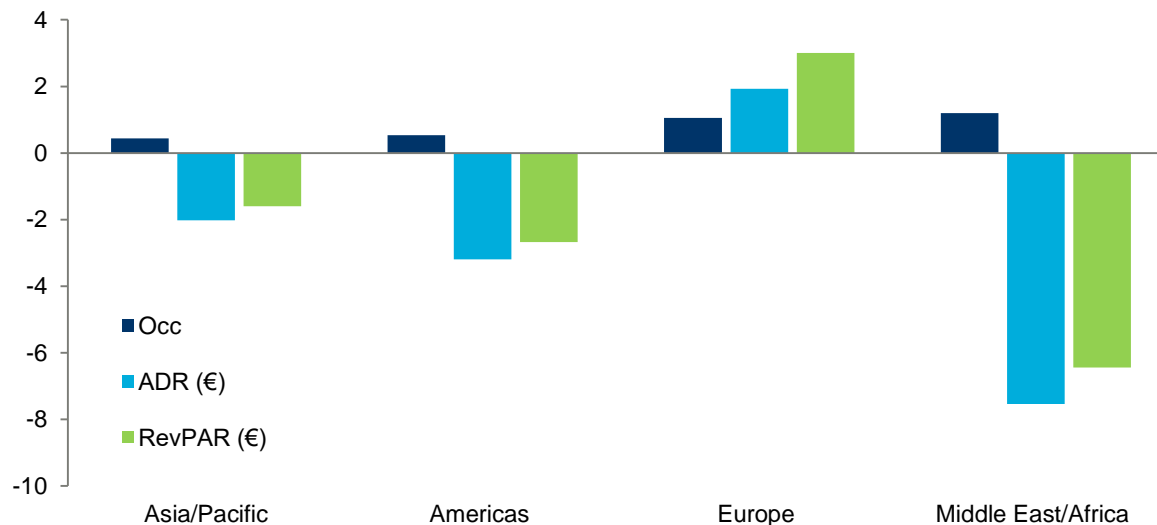
Source: IATA

# Europe outperforms

- Europe remains the only world region to report growth across all key hotel performance indicators based on data to September (and priced in euro terms).
- Occupancy grew 1.1% and ADR grew 1.9%, yielding 3.0% growth in RevPAR compared to the same period in 2017.
- Lower pricing was evident in shoulder months to drive demand in these periods, however, ADR growth has now returned as the chief driver of RevPAR growth in Europe.

## Global Hotel Performance

Jan-Sep year-to-date, % change year ago



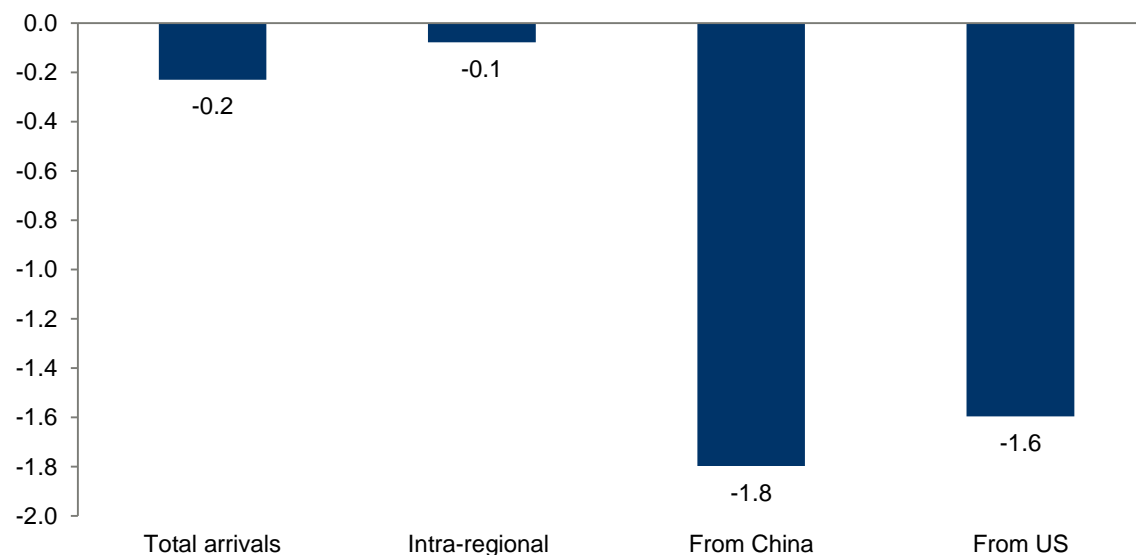
Source: STR

# Potential trade war

- Recent events between the US and China represent a major escalation of trade conflict. 25% Tariffs were imposed on some goods from China amounting to \$50 billion of US imports. China then responded with a comparable level of tariffs on imports from the US.
- Travel to Europe from long-haul markets, and notably from the US and China, would be hit by a trade war. Travel demand would slow in line with weaker economic activity but should continue to outpace it. By 2021, it is estimated that Chinese travel to European destinations would be 1.8% lower and US travel 1.6% lower than would otherwise be the case.

## European arrivals by source market, 2021

% difference between scenario and baseline



Source: Tourism Economics

# Economic outlook

- Global travel demand has continued to grow faster than economic growth in 2018, but some slowdown compared to prior years is evident. This slowdown reflects a general slowdown in global economic activity. Protectionism, tightening global liquidity and emerging market concerns remain key threats, but while these factors may trigger slower growth in 2019 and beyond, there is little compelling evidence of a significant loss of growth momentum.

Summary of economic outlook, % change year ago\*

Country	2018					2019				
	GDP	Consumer expenditure	Unemployment *	Exchange rate***	Inflation	GDP	Consumer expenditure	Unemployment **	Exchange rate***	Inflation
UK	1.3%	1.2%	0.3%	-1.1%	2.5%	1.5%	1.0%	0.0%	-0.2%	2.1%
France	1.6%	0.8%	-0.4%	0.0%	1.9%	1.7%	1.1%	-0.6%	0.0%	1.6%
Germany	1.8%	1.4%	-0.5%	0.0%	1.9%	1.6%	2.0%	-0.3%	0.0%	1.8%
Netherlands	2.7%	2.4%	-1.1%	0.0%	1.7%	1.7%	1.4%	-0.2%	0.0%	1.8%
Italy	1.2%	0.9%	-0.5%	0.0%	1.4%	1.1%	0.9%	-0.2%	0.0%	1.8%
Russia	1.8%	3.1%	-0.2%	-12.0%	3.0%	1.4%	2.7%	0.2%	-6.7%	4.4%
US	2.9%	2.6%	-0.5%	-5.2%	2.5%	2.5%	2.6%	-0.2%	-0.7%	2.1%
Canada	2.0%	2.2%	-0.4%	-4.9%	2.1%	1.7%	1.8%	0.2%	-1.7%	2.0%
Brazil	1.1%	1.5%	-0.3%	-18.5%	3.8%	2.3%	2.1%	-0.9%	-2.0%	4.4%
China	6.5%	6.9%	0.0%	-2.5%	2.2%	6.1%	6.6%	0.0%	-1.2%	2.5%
Japan	1.1%	0.6%	-0.4%	-3.3%	1.1%	1.1%	1.4%	0.0%	-0.4%	1.0%
India	7.6%	7.5%	0.1%	-9.5%	4.8%	7.2%	7.3%	0.0%	-4.7%	5.1%

Source: Tourism Economics

\* Unless otherwise specified

\*\* Percentage point change

\*\*\* Exchange rates measured against the euro. A positive change indicates stronger local currency against the euro and therefore a positive impact on outbound tourism demand. A negative change indicates weaker local currency against the euro and therefore a negative impact on outbound tourism demand.